

EXHIBIT C

Milken Gets 10-Year Prison Sentence;
Judge: 'Significant Term' for Former Financier Needed 'to Deter Others'

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Body

Former junk bond financier **Michael Milken** was sentenced to 10 years in prison today, an unexpectedly lengthy prison term the judge said was designed to teach Wall Street to obey the law.

The sentence, by far the most severe to be handed down since the stock market scandals erupted four years ago, so stunned Milken and his lawyers that they stood speechless in a Manhattan courtroom after U.S. District Court Judge Kimba Wood handed down the punishment before a courtroom packed with some 200 spectators.

"Prison sentences are viewed as one of the most powerful deterrents to the financial community," Wood said. "A significant prison term is required to deter others."

Wood sentenced Milken for securities fraud and five other business crimes that he committed in the mid-1980s when he reigned as one of the nation's most influential financiers. The government alleged that Milken and the investment banking firm he worked for, Drexel Burnham Lambert Inc., made hundreds of millions of dollars in fees and trading profits by rigging corporate takeovers and other financings, bullying clients and competitors and manipulating financial markets in a manner that helped them get the multibillion-dollar deals. Along the way, Milken, according to his own guilty plea, committed tax fraud and other violations on behalf of his clients.

While Milken had faced a maximum prison term of 28 years for these offenses, a large number of prominent law professors, lawyers and other experts had expected that he would receive three to five years.

Milken, who had sobbed quietly several times earlier in the proceedings, showed no expression and stood with his hands clasped before him and his head cocked to one side as he heard the sentence. When the hearing ended, his wife, Lori, escorted him out of the hushed courtroom.

Technically, Milken, 44, may be paroled at any time after he begins serving his prison sentence, which was fixed to start on March 4. But judicial officials and legal experts predicted that the U.S. Parole Board would follow existing guidelines, which would provide for him to serve at least one-third, and probably closer to two-thirds, of his sentence. Wood ordered Milken to perform three years of community service when his prison term is completed.

Milken's best chance of obtaining early release would be to begin cooperating with prosecutors, who hope that he will provide valuable assistance in mounting new investigations of criminal activity in the savings and loan industry and elsewhere in the business world. Wood made clear that she would be willing to consider reducing Milken's sentence, if the government asked for it, as a way of rewarding Milken for his help.

Brendan Quigley

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Bluntly rejecting the principal argument raised by Milken's lawyers in defending their client, Wood disputed contentions that his crimes were isolated, largely technical instances of wrongdoing motivated by an excessive desire to please his customers.

Instead, Wood said that Milken had systematically broken the law to reap wealth and influence for himself and now-defunct Drexel Burnham Lambert. She said that many of his crimes were subtle ones or technical in nature not because he was seeking to obey the law, but because he wanted to avoid getting caught.

"Your crimes show a pattern of skirting the law, stepping just over to the wrong side of the law in an apparent effort to get some of the benefits from violating the law without running a substantial risk of being caught," Wood said.

She also assailed Milken, whose pioneering use of junk bonds fueled many of the corporate takeovers of the past decade, for setting a bad example for his subordinates. "By your example, you communicated that cutting legal and ethical corners is, at times, acceptable," she said.

Milken's prison sentence comes in addition to a \$ 200 million fine and \$ 400 million penalty that he agreed to pay in April, some of which will go to repay victims of his crimes. At that time, he also agreed to plead guilty to the six felonies to settle 98 charges of securities fraud that the government initially lodged against him in 1989.

The total \$ 600 million penalty was a record for an individual, but Forbes magazine estimates that Milken still has \$ 700 million left. As the most highly paid individual in Wall Street's history, Milken once earned \$ 550 million in one year for his work presiding over the market in risky, high-interest paying junk bonds, which served to revolutionize corporate financing in the 1980s.

Wood based her sentence in part on findings in an unusual presentencing hearing held last month, in which the prosecution presented evidence that Milken had committed many crimes beyond the ones to which he had admitted. The hearing persuaded her that there was substantial evidence that Milken had committed the serious crime of obstructing justice, in November 1986, by subtly encouraging colleagues at Drexel to destroy documents when he learned that his activities were under suspicion.

U.S. Attorney General Dick Thornburgh applauded the sentence as "fair and appropriate," while a Wall Street lawyer denounced it as "savage."

Thornburgh said the Justice Department's successful prosecutions of both Milken and Drexel, which paid a \$ 650 million penalty for crimes committed largely by Milken's junk bond department, "strongly suggest that law enforcement has upped the ante considerably for 'crime in the suites' committed by the white-collar criminal."

The defense has 10 days to appeal the sentence, but legal experts said that it is very difficult to win such appeals.

Securities and Exchange Commission Chairman Richard C. Breeden made clear that the government hoped that the long sentence would encourage Milken to provide assistance to the government in cases against other Wall Street wrongdoers. "It will be up to the government to determine the significance of [Milken's] cooperation," Breeden said.

A spokesman for Milken said he had not decided whether to appeal the sentence. He would not comment on whether Milken would seek a reduced sentence in return for cooperation.

But Rep. John D. Dingell (D-Mich.), chairman of the House Energy and Commerce Committee, which has responsibility for monitoring Wall Street, said Milken's sentence seemed long only in comparison with what he called the genteel sentences handed out in the past. "Its apparent harshness is more illusion than reality," Dingell said. "The harsh fact of the matter is that it will take the American public much longer than 10 years and much more than \$ 600 million to pay for the mess these financial engineering schemes have left behind."

Milken did not exchange words with his attorney, Arthur Liman, or anyone else when the hearing broke up. Afterward, he spent about an hour behind closed doors in the courthouse with his wife, while Liman and other lawyers milled in the hall outside. Then the Milkens left the courthouse and later flew home to Encino, Calif.

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Staff writer Warren Brown contributed to this report from Washington.

Graphic

PHOTO, MILKEN AND HIS WIFE, LORI, ENTER THE FEDERAL COURTHOUSE IN MANHATTAN YESTERDAY.
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